

Council Communication Regarding Resolution 2022-14

May 2, 2022

Lakewood City Council and Mayor

RE: Lakewood City Council ("Council") Committee of the Whole Suggestions & Comments Regarding Resolution No. 2022-14 ("Resolution") Authorizing the Negotiation of a Development Agreement Based on the Executed Term Sheet with CASTO and North Pointe Realty ("Developer") for Downtown Development ("Development")

Council's Committee of the Whole met five (5) times over during the month of April to consider the Resolution and review and provide feedback on the Term Sheet and Development proposal. Council considered the following:

1. Correspondence from Mayor George, Council President O'Malley, and Director Leininger Summarizing the Term Sheet;
2. Executive Summary of the Term Sheet;
3. Resolution 2022-14;
4. The Term Sheet (which included a preliminary site plan and prohibited uses for the property);
5. Conceptual Elevations;
6. Letter of Understanding Between City of Lakewood and Roundstone Insurance;
7. Community Development Objectives;
8. Market Analysis Summary Comparison Chart; and
9. The Downtown Development Advisory Panel's ("Panel") Summary Comments.

Through the Committee of the Whole Meetings, the Developer and Administration presented voluminous information regarding the Development and took feedback from both Council and the public.

The purpose of this communication is to express, as succinctly as possible, Council's priorities, desired outcomes, and consolidated commentary regarding the Development as the Administration works towards the Development Agreement. It is Council's intention that the attached document be fully considered throughout the negotiation of the Development Agreement that is intended to be brought to Council for approval later this year.

Council sees the adoption of the Resolution, with the attached document included as an Addendum, as the start of the process for the Development and applauds the Administration for what clearly has taken significant effort and time. We are all fortunate, and humbled, to have the opportunity to help craft an important piece of the built environment in Lakewood's Downtown for generations to come. We only have one chance to get this right, so Council has been as thorough and thoughtful as possible in our review.

In our municipal government, it is the Administration's role to negotiate the Development Agreement, and Council's role to approve or reject that which is negotiated. Council intends the

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Resolution and Addendum as a formal mechanism to provide feedback to help the Administration understand what would ensure a successful passage of the legislation associated with the Development Agreement.

While the meeting minutes, documents, and communications, and video recording of the Committee of the Whole meetings entered into the record encapsulate Council's collective comments and suggestions on the Development, the following is a summary of Council's stated priorities and feedback regarding our expectations for a successful Development Agreement.

On many occasions over the last month the Administration has stated that we are at the beginning of the process for the Development Agreement and the Development. It is in that spirit that Council provides the attached Council priority document. The Administration has proposed a quick, but achievable, timeframe for potential approval. However, in order to create efficiencies, stay on the proposed timeline, and ensure that the Development be successful for Lakewood, we expect that our priorities as outlined in the Addendum will be attached to Resolution No. 2022-14 and be fully considered throughout negotiations creating the Development Agreement.

Respectfully,

Lakewood City Council

Council Downtown Development Priorities



DENSITY & OPPORTUNITY

Maximize housing & office density and opportunities for future growth

Increase Residential Density

The 2017 Lakewood Hospital Redevelopment Analysis (“Market Study”) indicated that between 116-348 residential units could be absorbed in the Lakewood market. The Development proposal has approximately 204 residential units. Council seeks an increase. Some options include adding more stories to the residential component, adding height to the amenities building, or adding density on the southern part of the Development as well as a for-sale component to offer a mix of housing products, such as accessible condos.

Reassess Market Conditions

The 2017 Market Study may be outdated and potentially shows less demand than is present in Lakewood’s current housing market. Council would like the Administration to consider updating the 2017 Market Study prior to the final Development Agreement.

Increase Office Density

The 2017 Market Study showed a net demand for office space at 73,530 square feet and the Development currently has 65,500 square feet. Council would like to explore more opportunities for office space, including adding another floor to the office building. Recent market and media reports have shown a desire for Class A office space in mixed-use environments¹. Roundstone has already indicated that its office needs have expanded since the start of the process and the Developer is not taking on much risk on the office component of the Development. Council strongly suggests that Developer consider marketing additional office space (in the range of 10,000 to 20,000 square feet) prior to the final Development Agreement to generate interest and gauge feasibility. Moreover, Roundstone may be willing to take on more space if their growth pattern continues.

Fully investigate opportunities for future growth

Council understands the need for approximately 540 spaces in the parking garage to support the mix of uses in the Development as well as the legal obligation to provide the Cleveland Clinic with parking spaces. However, Council urges the Administration to be thoughtful about the garage ensuring that it is designed and built to be adapted in the future (EV charging, autonomous vehicle parking, potential conversion to office, apartment, hospitality, or retail use), up to and including the potential for Lakewood to invest in a parking garage structure that would support future development vertically above the parking garage with Lakewood retaining the air rights for future development. The current market conditions do not support more density above the garage, but Council urges the Administration to be thoughtful about future opportunities to bring a mix of uses to Lakewood’s market as this is a once in a generation opportunity.

¹ See, e.g., “Office market trending toward smaller, high-quality spaces as challenges remain.” Bullard, Stan. *Crain’s Cleveland Business* (April 30, 2022) (noting that “[c]ompanies across all U.S. markets, mainly as companies try to figure out how to attract their employees back to the office, we are seeing more companies leaning towards Class A (prime) properties and mixed-use environments...”)

AFFORDABLE & ACCESSIBLE HOUSING

Create as many opportunities for families, people with disabilities, and seniors to own & rent in Lakewood as possible

Incorporate units with three or more bedrooms

At the February 28, 2022 joint meeting of Lakewood City Council & Lakewood Board of Education, Lakewood City School District Superintendent Niedzwiecki communicated that an enrollment study will likely show that Lakewood is losing families due to the rising cost of housing. Lakewood celebrates our diversity and welcomes new Americans, people of varying incomes, and young families. The current proposed Development includes only one- and two-bedroom units, which limits the type of family units that will seek housing here. Council seeks to provide attainable housing for families needing 3 or more bedrooms.

Employ universal design (ADA Accessibility) in as many units as possible

Universal Design is the design and composition of an environment so that it can be assessed, understood and use to the greatest extent possible by all people regardless of their age, size, and ability. In line with the work of the Americans with Disabilities Act (“ADA”) Task Force, Council would like the Development to have as many units and elements designed in line with Universal Design as possible, well above the 2% baseline required by ADA. Council would like to aim for 90-100% accessible, or quickly able to transition to accessible, with 50% or more initially accessible.

Ensure that 3+ bedroom and accessible rental units make up a significant portion of the affordable units

Families, seniors, and people with disabilities face more obstacles to acquiring affordable housing that meets their needs in Lakewood than the population as a whole. This is our opportunity to help residents age, grow, and thrive in place.

Provide affordable and accessible ownership opportunities

The Term Sheet indicates that the Development will reflect the Community Vision objectives such as encouraging the “development of a diverse housing stock that meets the needs of all residents including seniors, low/moderate income families, and special needs households,” and supporting and creating “affordable housing for a diversity of incomes and lifestyle needs.”² Demand for single-family homes in Lakewood currently exceeds supply, which has resulted in sky-rocketing home prices and steep competition for nearly every listing. Buyers seeking homes are looking for ownership opportunities where they can build wealth and put down roots in Lakewood. An equitable solution requires that some of these housing opportunities be available for purchase.

² Lakewood Community Vision <http://vision.onelakewood.com/>

COMMUNITY SPACE

Prioritize and support public use through design, management, & programming

Ensure that the community space is unambiguously guaranteed for predominately public use

Council was encouraged to hear the Developer indicate that their vision of the community space is to be predominately public use. The community space will be one of the most experiential returns on investment for many residents, and their rights to use the space and enjoy quality programming and management must be protected with specific language ensuring predominant public use. Amenities supporting public use such as restrooms, free wifi, and interactive features such as play equipment, a splash pad, an ice rink, or prebuilt stage ought to be documented with a plan for management and maintenance. The Community Vision encourages us to provide “public spaces that are open and inviting with access for all.” (Community Wellness).

Create the community space design and management strategy to support existing community events and needs in collaboration with community partners

The formation of the Community Space should follow the functions performed by and known to partners such as Lakewood Alive, Lakewood Arts Festival, the Lakewood City School District, the Beck Center, Lakewood Library, the Downtown Lakewood Business Alliance, and be informed by the expertise of their leadership teams. The Developer and Administration might consider contracting with an existing, knowledgeable local entity to oversee programming of the Community Space. This would be in alignment with the Community Vision goal to leverage “local and regional cultural assets to direct programming in Lakewood.” (Community Vision- Education and Culture). Council encourages continued dialogue on the best location and design of the Community Space to align with Community Vision success statements as the Planned Development process proceeds with Planning Commission and Architectural Board of Review. Council will need more detail on the design, finishes, ownership, maintenance, and use of the Community Space including drafts of any maintenance agreements, leases, or easements proposed prior to approving the Development Agreement.

Design the Community Space to align with the Community Vision values (Exhibit A)

As noted in the previous section, the Term Sheet indicates that the design of the Development will align with the Community Vision, which lays out a framework for this space to support our community’s values in areas of Economic Development, Housing, Community Wellness, Safety, Mobility, and Education and Culture. The Community Vision success statements are listed by Council Priority as attached Exhibit A. In alignment with these goals, Council envisions incorporating both the design and history of the Curtis building into the public space as well as utilizing local artists for public art installations. Additionally, while Council understands that the initial renderings are not an accurate prediction of the community space design, it is important to recognize that the industrial, non-permeable surface dominated Community Space portrayed would be unwelcome in a Development Agreement. Three stream disposal and other such best practices should be employed in the public spaces as well as units. The Community Space should include free public wifi.

SUSTAINABILITY

Achieve LEED quality sustainable design & performance, modeling best practices of the Community Vision, the IWWIP, and Climate Action Plan

Design and manage the Development to reflect Lakewood's commitment to the environment and sustainability as outlined in the Community Vision (Exhibit A), the Integrated Wet Weather Improvement Plan³, and the soon to be developed Climate Action Plan⁴.

Meet well-established certification standards (bronze or silver LEED equivalent goal) in sustainable design, performance, and energy efficiency.

Incorporate as many as possible of the attributes listed in the [Power a Clean Future Ohio](#) report as possible (Attached-Exhibit B)

Council specifically prioritizes best practices in waste, recycling, and composting, high efficacy energy-star rated appliances, and solar or geothermal renewable energy.

LOCAL BUSINESSES

Ensure that retail development supports existing local businesses and the commercial corridor

Ensure continual active usage of commercial units

Include a "no go dark clause" in the Development Agreement that requires the Developer to require their tenants of large ground floor spaces (approx. 3,000 square feet and larger) to not be closed for business for a substantial period of time but under an active lease. If the tenant goes dark, Developer should be required to make best efforts to fill the retail space.

Engage with existing Lakewood small businesses and commit to researching and responding to commercial trends before, during and after the Development

Consulting Lakewood's small business groups such as the Downtown Lakewood Business Alliance, the West End and Uptown Business groups, Lakewood Alive, and the Chamber of Commerce will help inform the Development from inception, prevent undue competition from national brands, and enable the Developer and City to learn from their expertise on the Lakewood market.

The Term Sheet states that 25% of the gross retail and restaurant leasable area shall be local, regional, or state businesses. It is not fully known how this development will impact commercial lease rates and maintenance in other buildings. Council's hope is that this new retail space will encourage other commercial property owners to improve their properties for the small businesses who currently lease them, but Council's concern is that commercial landlords will use the Development to raise rates without corresponding improvements, which could incentivize existing businesses to swap old leases for new and create vacancy shuffles. Continued dialogue and study will be necessary to support current business owners and grow Lakewood's commercial success.

³ Integrated Wet Weather Improvement Plan (IWWIP) <https://www.lakewoodoh.gov/accordions/integrated-wet-weather-improvement-plan-iwwip-phase-one/>

⁴ Climate Action Plan <https://www.lakewoodoh.gov/climateactionplan/>

CURTIS BLOCK

Preserve the building to the greatest extent possible, prioritizing the four corner street-car facade, and paying homage to the Curtis building's design and history throughout the project design

Council wants to preserve the locally historically designated Curtis Block Building to greatest extent possible with an emphasis on preserving four corner street-car design of the corner of Marlowe and Detroit and paying homage to original structure with elements throughout. Council recommends that the Administration and the Developer consult and make best efforts to work with the Lakewood Heritage Advisory Board throughout the process.

FIDUCIARY RESPONSIBILITY

Empower Council to perform oversight and stewardship of public finances and sentiment throughout the duration of the development process by providing continual access to data and opportunities for active participation

Provide regular (monthly or more) formal updates to Council

While the Administration referenced an \$18 million gap in funding the Development, Council requires much more information to understand the financials (including a succinct and easily understandable sources and uses document) and the financial incentives that the Administration is considering seeking approval from Council to grant the Developer for the Development. The Administration's discussion of the Community Reinvestment Act ("CRA") Abatement and Tax Increment Financing ("TIF") have been helpful, but to date have only been conceptual. During the process Council may consult with an independent financial incentives expert to ensure that what is proposed is consistent with the market. That said, in line with Council's desire for increased density (both residential and commercial) and future adaptability (parking garage), Council would be willing to consider strategically investing Lakewood funds (including the Lakewood Hospital Fund) if the return on investment can reasonably be shown. Council looks forward to working with the Administration on this portion of the Development as it will likely be the portion that has the most Council input.

Include Council representation while negotiating the Development Agreement.

In light of the Administration's aggressive timeline, to ensure Council is engaged and updated on the crafting of the Development Agreement, Council would like Council representation dedicated to working with the Administration, the Developer, and the Downtown Development Advisory Panel on the Development Agreement. This approach was used with the previous development plan for the Property. The Council representation will help keep the rest of Council informed of the process and cut down on information gaps between the Administration and Council to ensure the tight proposed timeline can be met. Moreover, Council would like to see the Administration solicit additional input from the Downtown Development Advisory Panel before the Development Agreement is finalized.

Exhibits

Exhibit A-Community Vision Success Statements by Priority

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| <p style="text-align: center;">DENSITY & OPPORTUNITY</p> <p style="text-align: center;"><i>Maximize housing and office density and opportunities for future growth</i></p> |
| <ul style="list-style-type: none"> • Pursues creative solutions to meet parking demands (Mobility) • Employs smart technology to improve the efficient use of parking (Mobility) |
| <p style="text-align: center;">AFFORDABLE & ACCESSIBLE HOUSING</p> <p style="text-align: center;"><i>Create as many opportunities for families, people with disabilities, and seniors to own & rent in Lakewood as possible</i></p> |
| <ul style="list-style-type: none"> • Encourages development of a diverse housing stock that meets the needs of all residents including seniors, low/moderate income families, and special needs households (Housing) • Permits new and infill development which is complementary to the scale and character of surrounding residential uses, integrates sustainable practices, and reflects Universal Design principles (Housing) • Employs universal design and complies with ADA in the construction and renovation of public facilities (Mobility) |
| <p style="text-align: center;">COMMUNITY SPACE</p> <p style="text-align: center;"><i>Prioritize and support public use through design, management, & programming</i></p> |
| <ul style="list-style-type: none"> • Captures and shares local history and celebrates the diversity of cultures among Lakewood Residents (Education and Culture) • Promotes cultural identity in neighborhoods through the design of the built environment (Education & Culture) • Leverages local and regional cultural assets to direct programming in Lakewood (Education & Culture) • Provides great facilities and learning environments that allow access to educational technology and resources including access to computers in schools and libraries (Education & Culture) • Manages stormwater via best practices such as bio-swales, rain gardens pervious pavement, and private downspout and lateral rehabilitation (Economic Development) • Promotes and incentivizes sustainable development practices such as energy efficiency, renewable energy, waste reduction, supply chain management and composting (Economic Development) • Preserves and respects historic context in commercial development (Economic Development) • Plans for and address the impacts of technology on local business (Economic Development) • Provides public spaces that are open and inviting with access for all (Community Wellness) • Balances support for urban agriculture with the realities of a densely populated city (Community Wellness) • Connects residents to information the internet and public services (Community Wellness) • Builds and maintains infrastructure to support active lifestyles (Community Wellness) • Connects residents to healthcare, social-emotional services, education, and health literacy (Community Wellness) • Has strong block clubs and other hyper-local connections which foster neighborhood cohesion and safety • Expands the network of public and private security cameras (Safety) • Maintains public spaces that are beautiful, functional, and safe for all following established best practices (Safety) • Designs roads, parking lots, sidewalks, and all public infrastructure to improve the community's resilience (Safety) • Implements an urban streetscape best practices that include beautiful and functional amenities (Mobility) |

Exhibit A-Community Vision Success Statements by Priority

| <p>SUSTAINABILITY</p> <p><i>Achieve LEED quality sustainable design & performance, modeling best practices of the Community Vision, the IWWIP, and Climate Action Plan</i></p> |
|---|
| <ul style="list-style-type: none"> • <i>Manages stormwater via best practices such as bio-swales, rain gardens pervious pavement, and private downspout and lateral rehabilitation (Economic Development)</i> • <i>Promotes and incentives sustainable development practices such as energy efficiency, renewable energy, waste reduction, supply chain management and composting (Economic Development)</i> • <i>Prioritizes sustainable practices for new construction and the rehabilitation of existing structures (Housing)</i> • <i>Is home to homeowners who undertake efficiency upgrades such as the installation of new furnaces, adequate insulation, and energy efficient appliances (Housing)</i> • <i>Creates and maintains quality greenspace in each neighborhood (Housing)</i> • <i>Makes transportation decisions that aim to reduce greenhouse gas emissions and promote wellness (Community Wellness)</i> • <i>Expands public greenspace and makes it useful year-round (Community Wellness)</i> • <i>Expands the urban tree canopy responsibly, especially on private property (Community Wellness)</i> • <i>Balances support for urban agriculture with the realities of a densely populated city</i> • <i>Increase the recycling rate and compliance while reducing the prevalence of single use plastics (Community Wellness)</i> • <i>Incentivizes alternative transportation and connections (Mobility)</i> • <i>Lights all streets effectively with non-sleep-disrupting, energy-efficient lights linked by smart technology (Mobility)</i> • <i>Supports smart driving and rideshare (Mobility)</i> • <i>Follows urban streetscape best practices that incentivize alternative transportation and connections citywide (Mobility)</i> • <i>Prepared to accept autonomous and connected vehicle technology (Mobility)</i> • <i>Expands the dedicated bicycle network city-wide (Mobility)</i> • <i>Improves and maintains the existing transportation infrastructure considering universal design, affordability, and environmental impact (Mobility)</i> • <i>Increases tree canopy, particularly on residential streets (Housing)</i> • <i>Has an overall culture which promotes community health and wellness, respects diversity, and embraces environmental stewardship (Community Wellness)</i> |
| <p>LOCAL BUSINESSES</p> <p><i>Ensure that retail development supports existing local businesses and the commercial corridor</i></p> |
| <ul style="list-style-type: none"> • <i>Maintains sustained private reinvestment in commercial and residential property (Economic Development)</i> • <i>Promotes and facilitates sharing of information among businesses (Economic Development)</i> • <i>Offers business plan mentoring and support to all business owners (Economic Development)</i> • <i>Informs residents of commercial development news large and small (Economic Development)</i> • <i>Minimizes the impacts of late-night commercial activity through design and enforcement (Economic Development)</i> • <i>Strengthens economic development efforts to increase commercial occupancy (Economic Development)</i> |
| <p>CURTIS BLOCK</p> <p><i>Preserve the building to the greatest extent possible, prioritizing the four corner street-car facade, and paying homage to the Curtis building's design and history throughout the project design</i></p> |
| <ul style="list-style-type: none"> • <i>Approves quality design which respects the historic character of residential neighborhoods (Housing)</i> • <i>Recognizes that preservation of structures is important for sustainability (Education & Culture)</i> • <i>Preserves and respects historic context in commercial development projects (Economic Development)</i> |



Sustainable Attributes for Lakewood Development

April 25, 2022

Lakewood aims to be a regional leader in climate action and sustainability. It is critical that city funding, abatements, and/or TIF funding be invested in developments that will assist the community in reaching its sustainability goal. To do this, development must take sustainability considerations into the design, construction, and operations of buildings. Buildings in the US are responsible for 39% of CO2 emissions, 40% of energy consumption, 13% of water consumption, and 15% of GDP per year. Below are the sustainability terms that support the community's sustainability goal.

All Covered Buildings

- **Certification of Sustainable Design and Performance** – Owners find that buildings with strong environmental performance are more attractive to both occupiers and investors. Sustainability credentials are increasingly seen as a standard characteristic of good quality space. Failure, therefore, to meet what are now market norms may have an adverse effect on the time a building takes to let, lease lengths achieved, and the enthusiasm of occupiers to renew. Each building should be designed, constructed, and operated to one of the three certification standards below:
 - **LEED Platinum and Zero Carbon Certification** - The most widely used green building rating system in the world. LEED Platinum requires 80 points earned on the rating scale. LEED Zero Carbon recognizes net zero carbon emissions from energy consumption through carbon emissions avoided or offset over a period of 12 months.
 - **High-performing Buildings Certifications** - Certify in a program that requires Zero Energy performance such as PHIUS+ Source Zero, PHI Plus, PHI Premium, International Living Future Institute's Zero Energy Petal, Zero Carbon Petal, or Living Building Certification.
 - **Energy Star Certified** - Design, construct, and operate to be in the top quartile of energy efficiency for buildings with similar use and size. Third party certification would be required for three of the first five years of operation to ensure high-building performance to be Energy Star Certified.
- **Renewable Energy** – Multi-family buildings carry a significant footprint, which makes it ripe for some form of renewable energy. Whether it is making the roofs solar-ready, utilizing green space for geothermal, or building thermal storage within the stormwater storage tanks, there should be some kind of renewable energy use on-site to lower the carbon footprint and reduce operating energy costs. In order to assist in accomplishing this effort, the office building, multifamily buildings, and parking garage will be solar ready including structure connection points on roof, empty conduits to a mechanical room, and a mechanical room sized 20% larger to accept future equipment.

Exhibit B- Power a Clean Future Ohio Sustainability Recommendations

- **Recycling and Organics recycling** – Developer commits to making space for the commercial kitchen to have separate spaces for waste, material recycling, and organics recycling. For commercial and residential renters, one of the top barriers to recycling is space to collect recycling separate from trash, and space for additional bins at hauler pick up. If the space is not designed in original plans, the cost to make room has been too high for many to take on this additional service in the future. All collection spots within the building and areas outside the building for trash collection must have space for three or more bins: recycling, organics recycling, and waste bins. A waste management plan should be presented during design reviews.

Multifamily Buildings

Developer shared that renters will be accountable for utility fees. This creates the split-incentive problem in which the party expending capital for the build design and construction does not sufficiently benefit from the energy savings during operations and therefore, is not incentive to invest in capital that reduces the energy operations cost. Beyond the green building certification, the below actions can assist in reducing energy use and associated costs to alleviate the energy burden low-income and affordable housing renters face.

- **Energy Star appliances in Multi-Family homes** – Purchase Energy Star appliances where Energy Star options are available for appliance category. For example, there are multiple Energy Star options for mini-fridges, fridges, dishwashers, washers and dryers to install.
- **Pool Efficiency** – Install Energy Star compliant variable speed pool pumps.
- **Affordable Housing Green Building Certification** –Green Communities' [Enterprise+](#) is an alternative green building certification for affordable housing builds which balances design and build costs with performance requirements.

Commercial Buildings

Below are additional steps to take in commercial space. The actions align with Cleveland Clinic's [sustainability goals](#) which aims to reduce energy use per square foot by 40% by 2030 (from baseline 2010); diverting 100% of non-hazardous waste from landfill by 2027, and a commitment to green building which includes six Gold level LEED certification buildings.

- **Green Leasing** - [Green Leasing](#) program guides landlords and tenants toward mutually beneficial leases and sustained partnerships that may enable larger energy investments that deliver greater energy savings. - [Cleveland Case Study](#) and [NEO Realty Group](#) showcase how realigning cost structures through a green lease allows both building owners and tenants to save money, conserve resources, and ensure the efficient operation of buildings.
- **Energy Star Appliances in Businesses** – Energy Star appliances are not only needed for apartments, but for businesses on-site. For example, a commercial kitchen uses three times the amount of energy per square foot than most other types of commercial buildings. Through the negotiations with business tenants, it will be critical to identify the appliances that can be Energy Star rated and save the business 10% - 30% in energy expenses over time. For commercial kitchens, at minimum, fridges and dishwashers will need to be Energy Star certified and ventilation hoods will need to be demand controlled. These provide the greatest operational savings and a fast ROI for owners.